

General Information Letter: Organizations exempt from federal income tax under 26 U.S.C. § 501(a) are taxed by Illinois only on unrelated business taxable income.

November 13, 1998

Dear:

This is in response to your letter dated October 5, 1998 in which you request a letter ruling. The nature of your letter and the information you have provided require that we respond with a General Information Letter (GIL) which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 86 Ill. Adm. Code 1200.120(b) and (c).

In your letter you have stated the following:

In answer to your letter of 9-18-98 regarding the xxxx xxxxxxxx xxxx - it is not our intent to purchase as a Sales Tax Exempt organization.

In answer to your request:

1. This organization has no Charter.
2. The purpose of this organization is to provide care for an old, inactive cemetery. In the past a few family members have been providing this care on a volunteer basis. However, there are fewer and fewer volunteers.

It is to the point we fear, as time passes, no one will take the initiative to provide this care.

3. No income has been provided. Therefore, no expense to report. However, we do plan on taking up collections from those who will donate.
4. Current mailing address:
xxxx xxxxxxxx xxxx
%xxxxxxx xxxxxxxx
xxxx xxxxxxx xxxx xxxx
xxxxxxxx xxxxxx, IL xxxxxx

5. The cemetery is located in xxxx xxxxxx.

Our request is for exemption from Income Tax only.

RULING

Pursuant to section 205(a) of the Illinois Income Tax Act (the "IITA"; 35 ILCS 5/101 et seq.), an organization that is exempt from federal income tax by reason of section 501(a) of the Internal Revenue Code ("IRC") is also exempt from Illinois income tax, unless it has unrelated business income as defined in IRC section 512. If the organization has no unrelated business income, its exemption from Illinois income tax is automatic by reason of its federal exemption under section 501(a) of the IRC. No application for exemption from Illinois income tax is required. You should contact the Internal Revenue Service regarding the requirements for exemption under section 501(a) of the IRC.

An entity that is exempt from federal income tax under IRC section 501(a) will be subject to Illinois income tax if it has any unrelated business income. In such case, the organization must file Form IL-990-T (copy enclosed).

As stated above, this is a GIL which does not constitute a statement of policy that applies, interprets or prescribes the tax laws, and it is not binding on the Department. Please contact the Department if you have additional questions or need other information.

Sincerely,

Brian L. Stocker
Staff Attorney (Income Tax)